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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Finance Sub-Committee**
held on Thursday, 2nd November, 2023 in Committee Suite 1, 2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor N Mannion (Chair)
Councillor M Gorman (Vice-Chair)

Councillors D Brown, J Clowes, B Drake, R Kain, C O'Leary and F Wilson

OFFICERS

Paul Goodwin, Head of Finance and Deputy Chief Finance Officer
David Brown, Director of Governance and Compliance
Julie Gregory, Legal Team Manager - Place/Corporate
Paul Mountford, Democratic Services
Paul Manning, Acting Head of Revenues and Benefits
Helen Charlesworth-May, Executive Director of Adults, Health and Integration
Deborah Woodcock, Executive Director of Children's Services
Josie Griffiths, Head of Audit and Risk
Michael Todd, Acting Internal Audit Manager
David Malcolm, Head of Planning
Tom Shuttleworth, Interim Director of Environment and Neighbourhoods

ALSO PRESENT

Councillor M Warren

25 DECLARATIONS OF INTEREST

Councillor M Gorman declared an interest as a member of the Cheshire Pension Fund Committee in relation to an item on the agenda about the Fund.

26 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 7th September 2023 be approved as a correct record.

27 PUBLIC SPEAKING/OPEN SESSION

There were no public speakers.

28 SECOND FINANCIAL REVIEW 2023/24

The Sub-Committee considered a report on the second review of the Cheshire East Council forecast outturn for the financial year 2023/24.

Performance against the 2023/24 Budget within each service committee, and the Finance Sub-Committee was outlined in Table 1 of the report.

Members sought further information regarding the current revenue forecasts for Adults and Health and Children and Families which showed in-year forecast pressures of £4.7M and £10.8 respectively.

The Executive Director of Adults, Health and Integration outlined the factors driving increased costs in adult social care. These included price inflation in social care, with staffing costs in the care sector running ahead of headline inflation; the rate of growth of the aging population in Cheshire East which was higher than other parts of the country; more complex needs leading to higher unit costs; and the numbers of people being released from hospital into the community and requiring care.

The Executive Director outlined measures that were being taken to address budget pressures, including a reduction in the use of short-term residential and nursing placements, investment in domiciliary care, and capping price increases, with investment in a pricing tool to scrutinise provider costs.

The Executive Director of Children and Families advised that key factors underlying cost pressures in children's services included increasing demand for, and the rising cost of, social care agency placements, with costs increasing above headline inflation and a significant number of asylum-seeking children in Cheshire East; the increased use and cost of agency staff; increasing home to school transport costs and the cost of school catering.

Measures being taken to address budget pressures included a recruitment drive to reduce the need for agency workers, a review of funding relating to school catering, seeking additional funding through grant applications, and increasing the number of safe walking routes to school to reduce transport costs. Further mitigations were being explored, including the possibility of early receipt of safety valve funding.

RESOLVED (unanimously)

That the Sub-Committee

1. notes the factors leading to a forecast adverse Net Revenue financial pressure of £18.7m against a revised budget of £353.1m (5.3%);
2. notes the forecast and further mitigations needing to be identified, aimed at bringing spending back in line with budget;
3. notes the in-year forecast Capital Spending of £181.4m against an approved MTFs budget of £214.7m, due to slippage that has been re-profiled into future years;

4. notes the contents of Annex 1 of the report and each of the appendices therein, and notes that any financial mitigation decisions requiring approval will be made in line with relevant delegations;
5. approves capital virements up to and including £5,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 7 Finance Sub-Committee, Section 5 Capital Strategy, Table 5; and
6. notes that Council will be asked to approve fully-funded supplementary revenue estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 1 Adults and Health Committee, Section 3 Corporate Grants Register, Table 2 and Appendix 4 Economy and Growth Committee, Section 3 Corporate Grants Register, Table 2.

The meeting was adjourned at 11.25 am for a five minute break.

29 **MEDIUM TERM FINANCIAL STRATEGY CONSULTATION 2024/25 - 2027/28**

The Sub-Committee considered a report on indicative financial targets to support consultation on the development of the Cheshire East Medium-Term Financial Strategy 2024/25 to 2027/28.

The Head of Finance advised that the focus was on producing a balanced budget for the 2024-25 financial year only. In the current committee cycle, committees would consider their budget envelopes. They would then consider budget feedback in the January cycle before final recommendations were made by the Corporate Policy Committee to Council.

The Head of Finance also confirmed that officers would if requested be able to assist political groups with alternative budget proposals, and that further budget proposals could be considered during the January committee cycle, before the budget Council meeting in February. The Chair added that groups could start the conversations now and did not need to wait until January.

RESOLVED (unanimously)

That the Sub-Committee

1. approves the indicative budget envelope for all committees as a way of setting financial targets in support of achieving a balanced budget for 2024/25;
2. notes that officers will develop further proposals in consultation with members to enable wider stakeholder consultation prior to approval by Council; and
3. notes that Committees will be presented with the opportunity to further review financial proposals, designed to achieve a balanced budget, as

part of their January cycle of meetings prior to recommendations being made to Council for approval.

30 CIPFA FINANCIAL MANAGEMENT CODE (FM CODE) PROGRESS UPDATE

The Sub-Committee considered an update report on the Council's progress in implementing the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code.

It was suggested that informal meetings be arranged for members of the Sub-Committee to receive briefings on the principles of the Financial Management Code.

RESOLVED (unanimously)

That the Sub-Committee

1. notes the contents of the report and the requirement for a full self-assessment against the principles of the CIPFA FM Code;
2. notes the plan to complete the current re-assessment by 31st March 2024 and that there will be annual updates thereafter;
3. notes the existing initial officer self-assessment at Appendix 2 of the report;
4. approves Appendix 3 – Interim review of Cheshire East Council's current level of compliance with the CIPFA Financial Management Code Framework – Principle 1 – Leadership; and
5. agrees that informal meetings be arranged for members of the Sub-Committee to receive briefings on the latest officer review in respect of all principles in the Financial Management Code and to provide an opportunity for members to engage in the re-assessment.

31 BUSINESS RATES DISCRETIONARY RELIEF REVIEW - RECOMMENDATIONS

The Sub-Committee considered a report which provided feedback from the Business Rates Working Group on the business rates discretionary relief review, and which sought a decision in relation to the Discretionary Relief Policy.

Councillor M Gorman, who attending the Working Group meeting, thanked the officers for their work.

RESOLVED

That the Sub-Committee

1. approves the amendment of the Business Rates Discretionary Relief Policy to include leisure centres at page 17 where sports and social clubs are referenced; and
2. delegates authority to the Head of Revenues and Benefits to amend page 11 section 5.9 of the Policy, to allow backdating of relief in certain circumstances, once the Non-Domestic Rating Bill receives Royal Assent.

32 CHESHIRE PENSION FUND BRIEFING

The Sub-Committee considered a briefing report on matters considered by the Cheshire Pension Fund Committee.

The Vice-Chair, Councillor Gorman, who was also a member of the Cheshire Pension Fund Committee, commented that at present the Fund was not invested in businesses and enterprises in Cheshire or the North-West. He advocated the setting up of an investment vehicle that would enable the Fund to invest in local businesses whilst satisfying the regulations. Other members expressed sympathy with the principle of the proposal, provided it did not place the pensions of public servants at risk and that returns on investment were maximised.

RESOLVED

That the Sub-Committee

1. notes the briefing paper, summarising the key points in the items presented to the Cheshire Pension Fund Committee on 8th September 2023; and
2. asks officers to facilitate a conversation with the Cheshire Pension Fund and officers at Cheshire West and Chester and Warrington Borough Councils on the possibility of Cheshire Pension Fund investments being made in Cheshire and the North-West, and report back to the Sub-Committee at a future meeting.

33 SECTION 106 KEY FINDINGS - INTERNAL AUDIT REPORT

The Sub-Committee considered the report to the Audit and Governance Committee on 28th September 2023 setting out the key findings from Internal Audit's review of arrangements for the management and monitoring of Section 106 funds.

Internal Audit had completed an extensive review of the Council's arrangements for the management and monitoring of Section 106 agreements. The key findings of the review were set out in Appendix 1 to the Audit and Governance Committee report. The overall assurance opinion for the review was "No Assurance". This reflected the view that

there were currently significant areas of risk which were not being managed effectively in relation to the use of S106 agreements and contributions. The audit report findings also referred to a lack of strategic oversight in place for senior officers and service committees.

The Audit and Governance Committee at its meeting on 28th September 2023, having considered the findings of the internal audit review, asked for an initial progress report in March 2024, and a further update on the implementation of actions in 12 months' time.

The matter had been referred to the Finance Sub-Committee with a view to understanding the financial implications of the review, and how the planned changes should drive more effective recording, use, and timely spend of S106 contributions.

The Head of Planning assured members that no monies had been returned to developers as part of the process.

Members noted that the Environment and Communities Committee as the committee responsible for this area of work was to set up a member/officer working group to oversee the implementation of the actions arising from the review and to consider how information could be more pro-actively shared with members regarding section 106 contributions.

Members made the following comments in relation to the report and its findings:

- Members should be consulted on all stages of the S106 process and should be provided with information, including a process diagram, to assist their understanding of the process.
- The Finance Sub-Committee should receive regular reports in relation to the financial aspects of S106, which should be added to the work programme for future meetings.
- Assurances were needed regarding staffing, training and the effective use of software in relation to the management of S106 obligations and contributions.
- Members should receive lists of all S106 agreements affecting their wards.

The Head of Audit and Risk undertook to take these comments forward.

With regard to staffing, the Head of Planning advised that the recruitment process would commence next week.

RESOLVED

That the Sub-Committee notes the report.

34 WORK PROGRAMME

The Sub-Committee considered its work programme for 2023-24.

Officers confirmed that, as requested earlier in the meeting, items would be included on the work programme for future meetings relating to Section 106 and the Cheshire Pension Fund.

RESOLVED

That the work programme be noted.

35 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the final item on the agenda pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

The meeting was adjourned at 12.51 pm.

During the adjournment, members of the Sub-Committee received an informal briefing on the strategic options review of the Council's wholly-owned companies.

The meeting reconvened at 2.25 pm.

36 WHOLLY-OWNED COMPANIES - STRATEGIC OPTIONS REVIEW

The Sub-Committee considered a report on a strategic options review of the Council's wholly-owned companies.

Councillor M Warren remained present for this item as Chair of the Environment and Communities Committee.

Members asked that the review include the option of testing the private market.

RESOLVED (unanimously)

That the recommendations in the report be approved.

The meeting commenced at 10.00 am and concluded at 2.28 pm

Councillor N Mannion (Chair)

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